



# OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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## 19-19 City of Colorado Springs Transit Contract Compliance

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### **Purpose**

The purpose of this audit was to review Human Service Specialized Transit providers (HSP) vendor compliance with terms and conditions under contracts administered by the City's Transit Department. Our review was for the period ended June 30, 2019. Additionally, we reviewed to determine that the contract provided appropriate accountability on the part of vendors for efficient and effective delivery of services to citizens along with accurate billing and reporting.

### **Highlights**

We concluded that third party audits indicated instances of non-compliance by HSP vendors related to billing, daily mileage tracking, and reporting. Overall, the current contract did not provide accountability to ensure vendors delivered services efficiently and effectively with accurate billing and reporting. Contract requirements should be modified to include clear performance criteria and performance improvement plans for non-compliance.

HSP vendors provided specialized transportation services to senior citizens and those with disabilities. The current HSP contracts expired on June 30, 2019. At the time of our review, City Transit had processed contract extensions and was working towards contract revisions that increased vendor accountability.

In accordance with the Urban Mass Transportation Act of 1964, Transit was required to report certain information to the Federal Transit Administration (FTA) through the annual National Transit Database (NTD) report. Third party audit firms performed procedures to evaluate compliance with FTA standards and determine that information included in the NTD report for the fiscal year ended December 31, 2018 was presented in conformity with FTA requirements.

Our assessment included review of audit reports for all contractors, and a review of key contract requirements. Our audit scope did not include testing of supporting data in audit reports prepared by third parties.

Please see pages 2 through 4 of this report for details of our findings.

### **Recommendations**

Transit should:

1. Ensure that contractors address the findings from each third party audit report.  
Revise the deadline of third party audit reports to facilitate Transit audit requirements.
2. Standardize third party audit procedures for inclusion in contract renewals and future contracts.
3. Modify contract terms and conditions to include performance improvement plans, corrective actions for non-compliance, and measurable performance criteria.

### **Opportunity for Improvement**

Transit should require HSP third party audit reports to be completed and submitted no later than February 15 in order to ensure data accuracy for S-10 reporting.

### **Management Response**

Management was in agreement with our recommendations. Management responses can be found on pages two through four of this report.

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## **Observation 1**

HSP vendor third party audit reports included multiple findings. The exceptions primarily related to billing, daily mileage tracking, complementary services, and reporting. Some of the findings noted in the most recent audit reports were also identified in prior years.

Audit findings required additional administrative effort by Transit to follow up and to revise schedules that had already been submitted to the National Transit Database.

Audit findings for two HSP's indicated instances in which policy, procedure, and operations requirements were not followed by HSP vendors. Additionally, repeated audit findings could potentially result in regulatory compliance issues and additional oversight by the FTA.

## **Transit response**

Management agrees with the recommendation and has already implemented some of these recommendations in contract change orders for the four HSPs. Contract change orders exercising Option Year 1 with the four HSPs clarify the audit section of the base year contract by standardizing and clarifying audit procedures. Management agreed with revising third party audit deadlines to allow more time to correct HSP trip data prior to MMT submitting this data to the National Transit Database (NTD). However, since HSPs are unwilling to take measures to ensure the accuracy of their trip data, MMT will no longer submit HSP data to the NTD. MMT is working to transition the specialized transportation program to another agency. Currently, a July 1, 2020 transition is under negotiation.

## **Recommendation**

Transit should:

- Contractually require HSPs to provide documentation in a timely manner that sufficiently addresses findings from each audit report.
- Consider revising third party audit report deadlines to allow corrections to be incorporated into Transit's required FTA reports.

## **Observation 2**

The 2018 audit reports submitted by HSPs included test criteria that was different for each service provider.

We noted that in two cases, the HSP vendor did not submit third party audit test procedures in sufficient time for Transit to review and approve the test procedures before the third party audits were conducted.

Certain contract performance measures were not tested to ensure HSP compliance with requirements and quality service delivery to citizens.

## **Transit response**

Management agrees with this recommendation and has amended the audit section of each HSP contract to include standardized audit procedures. Attachment A of change orders with each HSP exercising Option Year 1 states that the annual program audit will include four defined procedures. HSPs have agreed to these clarified audit procedures.

## **Recommendation**

Transit should:

- Develop standard audit procedures to be used by all contractors to be included in all future contracts.

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## **Observation 3**

Contract terms and conditions for HSPs did not include certain regulatory requirements, measurable performance criteria, and performance improvement plans with corrective actions for non-compliance.

Contractors were required to follow all of the laws and regulations that pertain to specialized transportation services operations. Contractors were required to make every effort to ensure 100% on-time performance. Transit did not perform monitoring of some contract provisions that may have allowed them to identify and address deficiencies in HSP performance.

## **Recommendation**

Transit should modify contract terms and conditions to include regulatory requirements, data requirements, performance criteria and corrective action plans. Additionally, Transit should perform monitoring of compliance with provisions. See the following specific recommendations related to the contract and to Transit monitoring activities.

Regulatory requirements	
The contract should require that the contractor retain pre-employment screenings consistent with regulatory requirements, including E-Verify documents, background checks, and drug and alcohol screenings.	Transit should conduct periodic audits to confirm regulatory compliance. Additionally, Transit should perform periodic reviews of contractor compliance to new or changing laws or regulations to ensure compliance.
Data requirements	
The contract should specify data requirements to facilitate monitoring of performance metrics.	
The contract should include a requirement for the transfer of data from contractors, if the City provided scheduling system is not used.	
Performance criteria and corrective action plans	
The contract should clearly define performance requirements, including third party audit requirements. Requirements should be measurable and clearly define acceptable performance.	Transit should review the complaint records on a periodic basis to ensure that cases are adequately addressed and closed on a timely basis.
The contract should include a provision related to monitoring of customer complaints and consider customer feedback as a criteria for measuring contractor performance.	Transit should conduct periodic reviews of contractor training materials including verification of completion of training by all employees.
The contract should require development of corrective action plans for non-compliance and performance improvement plans to address ongoing issues.	Transit should consider including in the contract liquidated damages if performance criteria is not met.

## **Transit response**

Management agrees with the recommendation. Because the HSPs are unwilling to take measures to ensure the accuracy of their trip data, MMT will no longer report the HSP rides to the NTD.

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## ***Opportunity for Improvement 1***

The National Transit Database (NTD) S-10 report original draft included a discrepancy between the weekday passenger trips reported in October 2018 and the underlying report from Transit's passenger trips system.

Transit subsequently corrected the S-10 report. The report included various corrections made due to errors observed in HSP reporting. The final reports submitted to the FTA were accurate.

## ***Recommendation***

Transit should ensure that their submittals to the FTA are accurate and agree with supporting information from the passenger trips system and the HSP third party audit reports.

The HSP audit reports should be submitted to Transit no later than February 15th to allow sufficient time to ensure data accuracy prior to the submission of the S-10 report.

## ***Transit response***

Management agrees with the recommendation and drafted a new Request for Proposals (RFP) with stronger performance criteria and review procedures and also allowed for-profit agencies to respond. MMT was directed to extend existing contracts instead of evaluating the solicited proposals. The current contracts do not include strong language; adding such requirement at this time would constitute a Cardinal Change, so this item will need to be addressed if MMT issues a new RFP. Alternatively, MMT is proposing transferring administration of the HSP program to either PPACG or CDOT. In that case, contract performance oversight will also be transferred to the new program administrator.